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IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., *et al.*,

Petitioners,

v.

APPLE INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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I. QUESTION PRESENTED

Where a design patent is applied only to a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

II. STATEMENT OF INTEREST OF *AMICUS CURIAE*

The Association of the Bar of the City of New York ("Association"), through its Committee on Patents, submits this amicus curiae brief in response to the Supreme Court's March 21, 2016 Order, granting Samsung Electronics, Inc.'s ("Samsung" or "Petitioner") petition for certiorari and setting forth the question presented above. The Association files this brief in accordance with this Court's Rule 37 in support of neither party.[1] The parties to this appeal have consented to the filing of this amicus brief.[2]

The Association is a private, non-profit organization of more than 24,000 members who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal and international levels through its more than 150 standing and special committees. The

1. With regard to inquiries raised by Supreme Court Rule 37.6, no party's counsel authored this brief in whole or in part. No party's counsel or no person—other than amicus curiae, its members, or its counsel—contributed money that was intended to fund preparation or submission of this brief. Sup. Ct. R. 17.

2. Petitioner filed a blanket consent in this appeal on May 18, 2016, and Respondent provided its consent via letter dated May 24, 2016.

Committee on Patents ("Patents Committee") is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private practice and academic experience in patent law. The participating members of the Committees are dedicated to promoting the Association's objective of improving the administration of the patent laws.

III. SUMMARY OF ARGUMENT

Damages for patent infringement are generally awarded under 35 U.S.C. § 284 ("section 284"), which allows for an award of "damages sufficient to compensate for the infringement, but in no event less than a reasonable royalty... ." 35 U.S.C. § 289 ("section 289"), on the other hand, is styled as an "additional remedy" for infringement of a design patent, and allows for an award "to the extent of [the infringer's] total profit, but not less than $250." In addition, section 289 expressly provides that "nothing" in the section "shall prevent ... any other remedy which an owner of an infringed patent has under the provisions of this title... ."

Although there is no statutory basis for requiring the election of a single measure of monetary recovery for design patent infringement from among those set forth in sections 284 and 289, recent Federal Circuit case law appears to require just that, even in cases where both utility and design patents are asserted. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002). More recent case law appears to have taken this election requirement one step further and framed the award, where remedies have been quantified under both sections, as a forced selection of only one of "(1) total profits from the infringer's sales under § 289, or (2) damages in the form of the patentee's lost profits or a

reasonable royalty under § 284, or (3) $250 in statutory damages under § 289, whichever is greater." *Nordock, Inc. v. Systems, Inc.*, 803 F.3d 1344, 1353 (Fed. Cir. 2015). Because this strict "election" requirement appears unsupported by statute, this Court should clarify that, while there may be some cases in which an award of only the infringer's profits may serve to adequately compensate the patent owner under both provisions, a patent owner is not required to "elect" a single theory under one section to the exclusion of others.

Additionally, based on the allowance in section 289 of an award to the "extent" of an infringer's profits, this Court should clarify that that section allows for such an award to be on a sliding scale, ranging from the statutorily prescribed $250 minimum, up to the extent of the infringer's profits, with the precise amount of the award being a question of fact to be decided based on the circumstances of the case.

IV. ARGUMENT

A. Section 289 provides design patent holders with "additional" remedies to section 284, not "alternative" remedies.

1. *Existing case law does not sufficiently define the relationship between 35 U.S.C. §§ 284 and 289.*

Existing case law on design patent damages does not provide sufficient clarity as to how section 289 should be understood in light of section 284. The few rulings addressing this relationship have created some ambiguity as to whether section 289 is (a) supplementary to section 284, (b) strictly an alternative to section 284, or (c) some

combination of these two possibilities. Without clear guidance as to how section 289 can be applied in addition to—or instead of—section 284, courts and litigants are likely to face undue difficulty in determining the value of the rights granted in design patents.

2. *The text of 35 U.S.C. § 289 and precedent from this Court do not prohibit concurrent recovery under sections 284 and 289.*

While section 284 is tersely entitled "Damages," section 289 is styled as an "*Additional* remedy for infringement of design patent" (emphasis added). These captions suggest that remedies under section 289 can be awarded concomitantly with remedies under section 284, and that interpretation is bolstered by the second paragraph of section 289, which states (emphasis added):

> Nothing in this section shall prevent, lessen, or impeach *any other remedy* which an owner of an infringed patent has under the provisions of this title ...

Such "other remed[ies]" would seem to include all other remedies for patent infringement, including awards under section 284. Had Congress intended to have section 289 be the only remedy for design-patent infringement that a patent owner could pursue to the exclusion of other remedies, Congress could have characterized section 289 as an "alternative" remedy for design patents, rather than an "additional" one, and there would be no reason to expressly state that "other remed[ies]" remain available.

The concurrent availability of remedies under sections 284 and 289 is also supported by this Court's

understanding of the relationship between "damages" (the term used in section 284) and "profits" (the term used in section 289). In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), this Court held that "damages" and "profits" are separate and independent measures of recovery, in that "damages" refers to "what the owner of [a] patent loses," whereas the term "profits" refers to "what the infringer makes." *Id.* at 505. Section 284 "damages" are routinely quantified by the *patent owner's* lost profits, i.e., the profits it would have made on the sales but for the infringement, with the statutory-prescribed floor for such an award being "in no event less than a reasonable royalty." *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009); *see also Aro*, 377 U.S. at 508. On the other hand, section 289 allows an award of the *infringer's* profits, and this Court has confirmed that such remedy is not available under section 284. *Aro*, 377 U.S. at 506; *see Ellipse Corp. v. Ford Motor Co.*, 461 F. Supp. 1354, 1378-79 (N.D. Ill. 1978), *aff'd* 614 F. 2d 775 (1979), *cert. denied*, 446 U.S. 939 (1980). While the trebling of damages awarded under section 284 is permitted by statute, no similar enhancement of recovery is allowed under section 289. *See Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 824 (Fed. Cir. 1992).

As such, because an award of the patent owner's damages is not necessarily synonymous with an award of the infringer's profits, and vice versa, simultaneous awards of remedies under sections 284 and 289 would not necessarily run afoul of the rule against double recovery codified in section 289, which prohibits a patent owner from "twice recover[ing] the *profit* made from the infringement." 35 U.S.C. § 289 (emphasis added).[3]

3. While an infringer's profits may not be awarded outright under section 284, the infringer's profit projections can be a factor in

3. *The Federal Circuit's recent decisions appear inconsistent with the structural relationship between 35 U.S.C. §§ 284 and 289.*

The Federal Circuit has long taken the view that the owner of a design patent must "elect" between a remedy under section 284 and a remedy under section 289. *See Braun*, 975 F.2d at 824 ("Braun *elected* to recover Waring's total profits under 35 U.S.C. § 289") (emphasis added).[4] Notably, the Federal Circuit has maintained the requirement even where a single product infringes a utility patent in addition to a design patent. In particular, the Federal Circuit held in *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002), where damages were sought for infringement of both a utility patent and a design patent, that the award of a remedy under section 289 for design patent infringement precluded any award under section 284:

> Lamps Plus [the owner of the infringed design patent] is entitled to damages for each

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a reasonable royalty calculation under that section. *See, e.g., Lucent*, 580 F.3d at 1324 (describing the "analytical method" for reasonably royalty calculations, based on an "infringer's projections of profit for the infringing product"). Thus, while simultaneous awards do not necessarily implicate the section 289 prohibition against double recovery, that provision should still be considered in formulating the overall award to remedy infringement.

4. In referring to "election," the Federal Circuit did not clarify whether the choice between sections 284 and 289 is up to the patent owner, or whether a court may instead independently determine which single measure of recovery is appropriate, after damages have been quantified and put to the finder of fact.

> infringement, but once it receives profits under § 289 for each sale, Lamps Plus is not entitled to a further recovery from the same sale because the award of infringer profits under § 289 also constitutes "damages adequate to compensate for the infringement [under section 284] ..."

295 F.3d at 1291. The Federal Circuit again upheld the requirement of election in *Nordock, Inc. v. Systems, Inc.*, 803 F.3d 1344 (Fed. Cir. 2015), which also involved the simultaneous infringement of a design patent and a utility patent:

> Accordingly, a design patentee can recover *either* (1) total profits from the infringer's sales under § 289, or (2) damages in the form of the patentee's lost profits or a reasonable royalty under § 284, or (3) $250 in statutory damages under § 289, whichever is greater.

803 F.3d at 1353 (emphasis added). The *Nordock* formulation seems to take the election requirement one step further, and frames the award as a mandated selection between the three listed bases of recovery, "whichever is greater," *id.*, with the further limitation that section 284 damages are available "[o]nly where § 289 damages are not sought, or are less than would be recoverable under § 284." *Id.* at 1357.

The Federal Circuit's "election" requirement, as articulated in *Catalina Lighting* and *Nordock*, and the mandated selection of *Nordock*, does not appear to be supported by the text or any legislative history of sections 284 and 289. While each of sections 284 and 289

may contain a "whichever is greater" formulation for the awards available internally under each section (i.e., the greater of lost profits or reasonably royalty under section 284, and greater of the infringer's profits or $250 under section 289), there is no statutory basis for extending the "whichever is greater" rubric across sections. Moreover, to the extent that the *Catalina Lighting* court found that that "award of infringer profits under § 289 also constitutes damages adequate to compensate for [ ] infringement," 295 F.3d at 1291, the Federal Circuit did not make clear whether that finding was a case-specific factual determination, or, rather, a general rule to be applied when evaluating damages awarded for utility and design patent infringement arising from a common nucleus of facts. Because section 289, with its award of an infringer's profits, is expressly reserved for *design*-patent infringement, it is unclear that it can satisfy the damages award allowance of section 284 as well.[5] However, the Federal Circuit, in *Catalina Lighting*, seemed to make precisely such a use of section 289, and the *Nordock* court did nothing to overturn this outcome.

4. *The "election" requirement is based on inconsistent precedent.*

The notion that a patent owner must "elect" between measures of monetary recovery under sections 284 and 289 can be traced to the Fifth Circuit's decision in *Henry*

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5. Perhaps the Federal Circuit's ruling in *Catalina Lighting* can be understood as an award of the infringer's profits, and then a finding that a willing licensor would agree to a zero reasonable royalty if offered a willing licensee's profits. While it is unclear whether such a result is permissible, such a damages formulation should be made explicit.

Hanger & Display Fixture Corp. of America v. Sel-O-Rak Corp., 270 F.2d 635 (5th Cir. 1959), in which that appeals court stated that the award of an infringer's profit for design patent infringement would preclude an award of a "royalty" for the same infringement. *Id.* at 644-45 (finding that "a royalty in addition to profits should not have been awarded since the profit was in excess of the minimum as fixed by [section 289]."). The outcome of *Henry Hanger* was then seemingly adopted by *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476 (D. Minn. 1980) as a general requirement for election between section 284 and 289. *Bergstrom*, 496 F. Supp. at 494 (citing *Henry Hanger* and holding that "[a] design patentee cannot recover both damages under 35 U.S.C. [section] 284 and the profits of the infringer under 35 U.S.C. [section] 289."). The rationale then made its way into Federal Circuit jurisprudence, with *Braun*, *Catalina Lighting* and *Nordock* citing to the aforementioned cases as standing for the election proposition. *Braun*, 975 F.2d at 824 n.16 (citing *Henry Hanger*); *Catalina Lighting*, 295 F.3d at 1291 (citing *Henry Hanger* and *Bergstrom*); *Nordock*, 803 F.3d at 1355 n.1 (citing *Bergstrom*).

That reliance is questionable. In its discussion of the remedy awarded in *Henry Hanger*, the Fifth Circuit suggested that section 289 authorizes an award of "compensatory damages." *Henry Hanger*, 270 F.2d at 643. However, this characterization of section 289 appears inconsistent with the text of that provision, which refers to the infringer's "profit," not the patent owner's "damages." The *Henry Hanger* court provided no explanation for conflating "damages" and "profits;" it remarked only that "the infringer's profits are taken as the measure of the plaintiff's loss." *Henry Hanger*, 270

F.2d at 644. That position, however, directly contravenes this Court's subsequent holding in *Aro* that "damages" and "profits," when used as statutory terms, are distinct and non-interchangeable measures of recovery. *Aro*, 377 U.S. at 505.

Moreover, despite its apparent reliance on section 289 as the basis for the remedy awarded in that case, the Fifth Circuit also muddied the waters regarding the basis of its award in *Henry Hanger*, by suggesting that section 284 also applied to design patents. *Henry Hanger*, 270 F.2d at 644 ("So also under 35 U.S.C.A. § 284, which applies to design patents"). That remark reveals some uncertainty as to whether the Fifth Circuit believed that remedies for design-patent infringement should be governed solely by section 289, or by some combination of sections 284 and 289. That ambiguity being relevant to and underlying the question presented in this appeal, this Court should resolve the issue by clarifying that there is no requirement that a rights holder "elect" to proceed under section 289 to the exclusion of 284.

B. Section 289 appears to authorize recovery along a sliding scale, from a statutory minimum of $250 up to the "extent" of the infringer's profits.

The roots of section 289 can be traced to the Design Patent Act of 1887, where Congress provided for a recovery for design patent infringement as follows:

> Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above the sum of two hundred and fifty dollars; and the full amount of such liability may be recovered by the owner of the letters patent...

The House Report containing the relevant legislative history reflects Congressional concern that preceding decisions had overly curtailed design patent recovery to where "the design patent laws provide no effectual money recovery for infringement." H.R. Rep. No. 1966, at 1 (1886).[6] As such, the 1886 addition's simplicity reflected the Congressional intent that "it is expedient that the infringer's entire profit on the article should be recoverable," with Congress also expressing concern for instances where "it is the design that sells the article." *Id.*

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6. Congressional amendment of the patent laws in this regard was in direct response to a series of cases involving carpet designs where this Court awarded only nominal damages for infringement of a complex carpet design given that the patentee's were unable to show the portion of their losses attributable to the patented design itself as opposed to the carpet as a whole. H.R. Rep. No. 1966, at 1 (1886) (referencing *Dobson v. Dornan*, 118 U.S. 10 (1886); *Dobson v. Bigelow Carpet Co.*, 114 U.S. 439 (1885)).

at 2-3.[7] Since 1870, Congress has not disturbed the rule that design patent holders may seek an infringer's profits as a measure of damages, and this measure of recovery has survived the recodification of the patent laws in 1946,[8] and again in 1952. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441-444 (Fed. Cir. 1998).

The modern version of section 289, first appearing in the Patent Act of 1952, contains the statutory language awarding a monetary recovery for design patent infringement "to the extent of [the infringer's] total profit." While there appears to be no legislative history explaining the change from the 1886 language (which

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7. Note that, prior to 1886, this Court had interpreted the Patent Act to require that the patent owner "in every case, give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features." *Garretson v. Clark*, 111 U.S. 120, 121 (1884).

8. The 1946 Act, in authorizing recovery in cases of infringement, provided only for "general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonably royalty therefore," but made no mention of a right to recover infringer's profits. *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 243 F. Supp. 500, 518 (S.D.N.Y. 1965). However, the House Report accompanying the 1946 Act stated that, "the bill would not preclude the recovery of profits as an element of general damages." *Id.* at 526 (quoting the House Report). This view was consistent with early Supreme Court decisions and the decisions of other courts holding that an infringer's profits were a measure of the patentee's damages. *See Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1442 (Fed. Cir. 1998) ("Calling the infringer's profits 'an element of general damages' was not unusual, for it reflected common usage as well as the history wherein both the patentee's losses and the infringer's gain were measures of recovery for infringement for utility as well as design patents.").

created "further liability for the excess of such profit" over $250, and made clear that "the full amount of such liability may be recovered") to the modern "extent" language, the provisions seem easily reconcilable. Congress in 1886 expressed its intent to clarify that the entirety of the infringer's profits may be "recoverable," especially in cases where "it is the design that sells the article." H.R. Rep. No. 1966, at 1-2. That clarification may no longer have been necessary by 1952, when Congress instead set forth a recovery scheme for design patent infringement ranging from the longstanding statutory floor of $250, up to "the extent" of the infringer's profits. While the full amount of the infringer's profits may well be recoverable, such as in cases where "it is the design that sells the article," determining the "extent" of the profits is an exercise well within the province of the finder of fact.

As such, this Court should clarify that, based on the wording of the statute, a design patent holder's monetary recovery under section 289 should be on a sliding scale from $250 up to the extent of the infringer's profits, with the precise value being determined based on the facts of each particular case.

V. CONCLUSION

For the reasons set forth above, the Association believes that this Court should make clear the relationship between sections 284 and 289 of the Patent Act, and clarify that a recovery of an infringer's profits under section 289 does not preclude an award under section 284. This Court should further clarify that because an award under section 289 is allowed up to "the extent" of the infringer's profits, a determination of the "extent" of the infringer's profits to which the patent owner is entitled is a question of fact to be evaluated on a case-by-case basis.

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